
NATIONAL SECURITY, NATIONAL INTERESTS, AND ECONOMICS

The late 1980s and the early 1990s have brought important changes in how the U.S. population views the world and its interests. In particular, we have changed the way we think about national security—what it is, how to pursue it, and what threatens it.

Traditionally, we have thought about national security primarily in military and political terms. The principal threats to U.S. national security were posed by the military forces, the political ideologies, and the foreign policies of actual or potential adversaries.

All this is changing. The end of the Cold War and the breakup of the Soviet empire have eliminated or much reduced the primary political and military threats the United States faced in recent years. The Russian Federation, of course, retains a massive nuclear arsenal; however, for the time being at least, no use or threatened use of these weapons against the United States seems plausible. The struggle for world leadership that dominated the postwar period now appears to be over. Political and military challenges remain, of course, as the Persian Gulf crisis demonstrated, and military powers remain in the world that can mount serious threats to U.S. interests, if not to the United States itself. Nonetheless, it is hard to argue with the proposition that military and political threats to U.S. interests have significantly declined.

ECONOMIC SECURITY

If the principal military and political adversary has disappeared, what remains to threaten U.S. national interests? If the possibility of

armed confrontation with the Soviet Union no longer limits U.S. freedom of action in the world, what does constrain us?

Certainly, military and political developments throughout the world remain of concern to the United States. Certainly, U.S. freedom of action continues to be limited in some places and circumstances by political or military opposition. But as military and political threats have declined, we have turned our attention increasingly to other kinds of developments. In particular, today when we think about external events, actions, or developments that could cause injury to members of the U.S. population or to their ability to pursue life, liberty, happiness, or prosperity on their own terms, we think about economic matters. Both policymakers and the broader public seem less concerned these days about surprise attack and more about the loss of U.S. jobs to a foreign country, less about foreign military bases and more about access to foreign markets, less about other countries' military alliances and more about their preferential trading arrangements, less about policies designed to create military advantage and more about policies designed to create commercial advantage. It is fashionable (if not entirely accurate) to say that the principal threats to U.S. national interests today are economic rather than political or military.

Similarly, some argue that, with the passing of the Soviet threat, the ability of the United States to pursue its national interests and to shape the world to its liking is limited principally by its own willingness to act and by its ability to bear the costs of action. These, in turn, may be strongly influenced by economic circumstances. If the economy falters, will the United States still be willing to bear the costs of maintaining the military forces necessary to preserve world order (or, more realistically, to counter the more egregious threats to this order)? If there are too many unmet material needs at home, will the United States spare resources to aid economic reform in Eastern Europe and the former Soviet Union? If some U.S. citizens are left out of the general prosperity, will the United States have the national unity to meet foreign challenges?

Efforts to protect or to promote U.S. economic interests in the international arena are, of course, not new. Since its foundation, this country has pursued policies to promote access to foreign markets, dependable supplies of essential commodities, freedom of commer-

cial passage, advantageous trading relationships, international economic stability, and other economic interests. Likewise, its people have always recognized a connection between their economic circumstances and their ability to influence international events. During the last few years, however, there has been a noticeable refocusing of national attention—clearly evident during the recent presidential campaign—on the economic components and consequences of U.S. international relations. To use the currently fashionable phrase, the United States is now paying more attention to matters of economic security.

This has happened, in part, because we now have the luxury of adopting a somewhat more relaxed attitude with regard to military and foreign-policy interests. The United States is now free to place greater emphasis on the pursuit of its economic interests. Calls to use the "peace dividend" for domestic programs are only the most obvious manifestations of this emerging attitude.

Beyond this, recent events have provided some forceful reminders of the connection between a country's economic performance and its ability to pursue the traditional aims of national-security policy: maintaining and projecting military forces, influencing the behavior of other nations, controlling its own destiny, and generally remaining a great power. It was, after all, the economic failures of Communist regimes that were in large measure responsible for the decline in the military and political power of the Soviet Union and its former allies.

Interest in economic security has been further heightened by what many have seen as the disappointing performance of the U.S. economy in recent years—both in absolute terms and relative to other industrialized economies. Recognition is growing that other economies—Germany and Japan in particular—will face some daunting economic challenges in the next few years. Still, we have learned that a U.S. economy that is dependably more robust and more dynamic than economies elsewhere in the world cannot be taken for granted. We are also becoming more aware that the economic conditions in which we live are not entirely "made in the U.S.A." Developments in and the policies of other countries can have important effects on U.S. economic circumstances. Just as the recognition of new military vulnerabilities prompted a renaissance in thinking about military security during the Cold War, the recognition

of new economic vulnerabilities and dependencies has started a new wave of thinking about economic security.

THE LIMITS OF THE NATIONAL-SECURITY METAPHOR

The analogy between the military challenges of the past and the economic challenges of today is a natural one. There is a strong element of competition in economic affairs. Markets won by Japanese firms are lost (at least for a time) to U.S. firms in the same industry. Sometimes the economic interests of nations *do* conflict. As military and political threats recede, attention has naturally focused on the potential threats posed by economic developments. Also, during an election year, casting potentially divisive questions of economic policy in the "us-against-them" language of national security has had obvious attractions. It should not be surprising that at least at the rhetorical level the emphasis during the last presidential campaign was less on "economic policy" than on "economic security."

We must exercise caution, though, in extending the metaphors of military security into the economic realm. Most of our thinking about the military aspects of national security is based on the analogy of warfare: When we win, someone else loses. In the military context, the most important situations to be dealt with are confrontational. In the military context, protecting U.S. national security interests almost always means protecting them *against* some foreign action. Advancing U.S. interests traditionally means acting *in the face of* foreign opposition.

But to limit our thinking about economics and national security to the confrontational framework that is characteristic of thinking about military security is to miss some of the most important elements of international economic relations. Unlike military activity, most economic activity is undertaken because it serves the interests of the parties involved. No international economic transaction involving Americans occurs unless it advances the interests of at least *some* Americans. Further, most economic activities are "positive-sum" in the sense that the net result of such activities is that more goods, more services, more income, etc., become available to the world at large. There is, of course, no guarantee that the additional output, income, or welfare will be distributed so as to make everybody better off; sometimes specific individuals, firms, communities,

or nations will be made worse off. But still, economic activity typically results in there being more good things to be shared among competing interests. In this regard, economic activity stands in stark contrast to military (and perhaps political) activities, which almost inevitably consume or destroy resources, leaving less to go around. Economic activity provides at least the opportunity for all concerned to benefit. Military activity seldom does.¹

Economic interactions among other countries may or may not advance U.S. interests, but there is no *a priori* reason to look upon such interactions as injurious to U.S. interests. They may just as well prove beneficial. While there might be arguments over particular incidents, few would suggest that the general increase in international economic activity since World War II has not been in the U.S. interest. Specific economic *events* may be inimical to U.S. interests, but international economic *activity* must be viewed as generally beneficial. To become preoccupied with potential economic threats is to risk ignoring potential economic opportunities. Only a policy of autarky will completely eliminate foreign economic threats to U.S. interests. But no one would argue that autarky is in the interests of the United States. True national security and the associated attention to U.S. national interests will require not just defending against economic threats but also recognizing and seizing economic opportunities. More often than not, seizing these opportunities will require cooperation with other nations rather than confrontation.

Another danger in extending the national security metaphor too glibly to economic matters is that it may lead to an excessive preoccupation with foreign developments, events, and actions. Traditional thinking about national security has focused on foreigners. It is the actions of *foreigners* (whether or not these actions are intentionally malicious) that threaten us and must therefore be countered. It is *foreign* interests that stand in the way of the United States achieving its aims. Of course, the possibility of internal or domestic threats to U.S. national security interests have always been recognized—spies, traitors, insurrection, and so on. Fortunately, though, internal threats to U.S. national security interests have been

¹The exception may be military action of a deterrent or policing nature, which can make everybody better off, in the best of circumstances, by preserving peace and stability.

minor, and U.S. national security policy has been predominantly outward looking.

In the economic sphere, it may not be so easy to discount internal threats. Despite the increasingly international nature of the U.S. economy, the greatest threats to U.S. economic interests and capabilities are still home grown. Foreign economic actions or developments have never caused as much pain and anxiety within the U.S. population as have, for example, misjudged U.S. monetary and fiscal policies. No set of foreign trends or policies will affect the character and size of the U.S. economy as powerfully as do the domestic policies and attitudes that encourage or discourage saving, investment, and innovation. Neither does any foreign economic development pose as stark a threat to current and future U.S. prosperity as the failures to control health-care costs, to provide effective schooling for U.S. children, or to manage hazardous wastes. Protecting economic interests and capabilities from the negative consequences of domestic actions and developments is usually no less difficult and certainly no less important than protecting these same interests against external threats. An economic security policy that is exclusively, or even principally, outward looking will be seriously incomplete.²

USING ECONOMIC MEANS TO ACHIEVE NATIONAL SECURITY ENDS

A less remarked, but perhaps equally important, change in thinking about national security centers on the use of economic means to achieve traditional national-security ends. The collapse of the Soviet military threat allows the United States and its allies somewhat greater freedom in the use of military force. It is no longer necessary to worry as much about the potential escalation of a small-scale military intervention into a confrontation with a rival superpower. U.S. and allied willingness to commit troops in the Persian Gulf and in

Somalia and debates over possible military interventions in Bosnia or in Haiti are reflections of this new freedom. At the same time, it is recognized that military action is not likely to be effective (and even less likely to be *cost*-effective, considering possible U.S. and allied losses) in pursuing some kinds of foreign-policy goals. Military force is sometimes effective in bringing about the ouster of an illegitimate or dangerous government, but it is a clumsy and probably inappropriate instrument, for example, for encouraging a return to democracy or adherence to U.S. ideals of human rights. In an era when direct military action may become less frequent³ and efforts to change the longer-term behavior of foreign governments and subnational groups may grow in importance, the United States may increasingly seek nonmilitary approaches to achieving its national security and foreign policy ends.

Often, the first responses to national security and foreign policy problems have been economic: trade restrictions, embargoes, freezing of financial assets, and so on. Military actions may follow, but economic policies often remain an important part of overall strategies. In some cases, economic actions may support or complement military action. Restrictions on shipments of militarily relevant supplies and equipment, for example, may weaken an opponent and increase the likelihood that subsequent military action will be successful. (Arguably, economic sanctions against Iraq had this effect.) In other cases, it is hoped that economic actions will turn out to be an effective substitute for military action. (Economic sanctions aimed at Serbia and Haiti are relevant examples here.) Sometimes, the economic elements of a strategy outlast the military aspects. The ultimate success of U.S. policy toward Panama, for example, may depend as much on the success of continuing U.S. efforts to rebuild the Panamanian economy as on the outcome of a brief military intervention.

The growing importance of economic measures as foreign policy tools confronts the traditional U.S. national-security establishment, and the military in particular, with a new set of policy problems. The traditional levers of economic policy are not always well suited to re-

²Having noted the inadequacy of an exclusively outward-looking economic security policy, we proceed in the rest of this report with a discussion that is mostly outward looking. We leave a discussion of the domestic aspects of economic prosperity to other authors not because these aspects are unimportant, but because they will be better treated by other authors in other contexts.

³The experience of the early 1990s is not reassuring in this regard. One can hope, however.

sponding rapidly to foreign-policy and national-security demands. (Consider, for example, the difficulties encountered during the Iran hostage crisis in quickly identifying and freezing Iranian financial assets.) Governmental structures for planning and coordinating military and economic activities are often inadequate. Increasingly, the military is called upon to carry out missions for which it may not be adequately equipped or trained (monitoring commercial ship or air traffic, recognizing contraband cargoes, delivering humanitarian aid, etc.). Perhaps most importantly, no clear consensus has developed either within the national-security establishment or within the population at large about the relative effectiveness or utility of economic, as opposed to political or military, instruments in particular situations. Questions about whether and how best to combine economic measures with military and political ones have rarely been explicitly addressed. The result can be a confused and confusing debate (as we saw in connection with Iraq) about whether or not economic measures can or should substitute for more direct military action, how long to wait for economic measures to have an effect, and so on. More thought is needed about the respective roles of economic, political, and military tools for achieving national security objectives and about how to fashion these elements together into a larger national security policy.

THE PLAN OF THIS REPORT

In this report, we will address both of these "economic dimensions of national security": the increased importance of international economic events in shaping U.S. economic fortunes and the increased use of economic instruments for pursuing traditional foreign policy goals. Inevitably, the lines between the two will become blurred; foreign economic developments and actions can affect the United States' ability to employ economic measures to achieve foreign-policy objectives. Chapter Two of this report offers a definition of economic security and distinguishes the pursuit of economic security from the pursuit of more traditionally defined prosperity or economic well-being. Chapter Three discusses the pursuit of economic security through the pursuit of superior (to other countries) economic performance. Chapter Four suggests that economic security may require more than just keeping the U.S. economy and U.S. firms bigger, richer, or more productive than foreign economies and firms.

Chapter Five addresses the use of economic instruments to achieve national-security and foreign-policy ends. It deals with how we might define, recognize, and exercise "economic power." Chapter Six presents several concluding observations based on the preceding discussion.